

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Hartford Underwriters Insurance Company
Authority # 30104-18-HO-730

Trumbull Insurance Company
Authority # 27120-18-HO-731

Property and Casualty Insurance Company of Hartford
Authority # 34690-18-HO-732

One Hartford Plaza
Hartford, CT USA 06155-0001

As of

August 31, 2018

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF THE

**Hartford Underwriters Insurance Company
Trumbull Insurance Company
Property and Casualty Insurance Company of Hartford**

AS OF

August 31, 2018

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

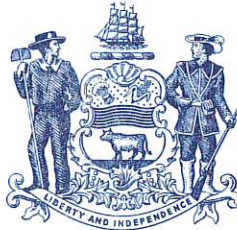
This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 5th day of December, 2019.


Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



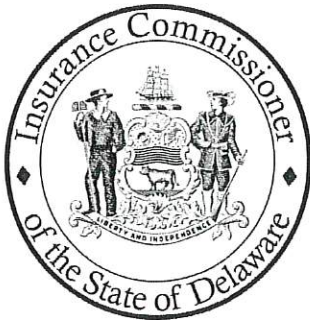
STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of August 31, 2018 on

**Hartford Underwriters Insurance Company
Trumbull Insurance Company
Property and Casualty Insurance Company of Hartford**

is a true and correct copy of the document filed with this Department.

Attest By:



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 5th day of December, 2019.

Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Numbers 30104-18-HO-730, 27120-18-HO-731 and 34690-18-HO-732 and pursuant to statutory provisions including 18 *Del. C.* §§318-322, a Market Conduct Examination has been conducted of the affairs and practices of:

Hartford Underwriters Insurance Company – NAIC #30104
Property and Casualty Insurance Company of Hartford - NAIC #34690
Trumbull Insurance Company – NAIC #27120

The examination was performed as of August 31, 2018.

The examination consisted of two phases, a brief on-site phase for training and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

1 Griffin Road North
Windsor, CT 06095

The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department, or other suitable locations. Hartford Underwriters Insurance Company, Property and Casualty Insurance Company of Hartford, and Trumbull Insurance Company, are hereinafter referred to as the Hartford Companies or the Company, unless otherwise noted.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

The Hartford Financial Services Group, Inc. (The Hartford), together with its subsidiaries, is a holding company for a group of subsidiaries that provide property and casualty insurance, group benefits, and mutual funds to individual and business customers in the United States. The Hartford conducts business principally in five reporting segments, including Commercial Lines, Personal Lines, Property & Casualty Other Operations, Group Benefits and Mutual Funds. Windsor, CT is their primary location for Personal Lines Operations for the Hartford Underwriters Insurance Company, Hartford Fire Insurance Company, Hartford Accident and Indemnity Company, Sentinel Insurance Company and Trumbull Insurance Company.

This was a desk audit focusing on the Hartford Companies activities related to its Personal Lines Property line of business in the following areas of operation: Complaint Handling, Underwriting and Rating, and Claims Handling. The examination period was January 1, 2016 through August 31, 2018.

Special emphasis was placed on reviewing the steps involved in determining the Dwelling Coverage amount selected by the customer and the use of any Inflation Protection coverage provisions. This is discussed in the Underwriting and Rating section of this report.

The following exceptions were noted during the review of Underwriting and Rating, and Claims Handling.

30 Exceptions

18 Del. C. §4122(a) Notification and reasons for declination or termination

(a) Upon declining to insure any real or personal property subject to this subchapter, the insurer, agent or broker making such declination shall either provide the insurance applicant with a written explanation of the specific reasons for the declination or an explanation will be provided within 21 days of the timely receipt of the applicant's written request for such an explanation. An applicant's written request shall be timely under this subsection if received within 90 days of the date of notice of the declination. In the event of a declination by an insurer of a risk submitted by an agent or broker on behalf of the applicant, the insurer shall provide that agent or broker with a written explanation of the reasons for the declination. In the event the agent or broker is unable to effect insurance for the applicant through an admitted insurer other than a residual market mechanism, the agent or broker shall submit an explanation in writing to the applicant of all insurer declinations. No agent, broker or insurer not represented by an agent or broker shall decline to provide an insurance application form or other means of making a written request for insurance to a prospective applicant who requests insurance coverage from the agent, broker or insurer.

The Trumbull Insurance Company did not provide a specific reason for declination or a written notice was not provided in 30 requests for an insurance policy.

1 Exception: 18 Del. Admin. C. §902 Prohibited Unfair Claim Settlement Practices

1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

The Property & Casualty Insurance Company of Hartford failed to affirm or deny coverage within 30 days in one claim.

3 Exceptions: 18 Del. C. §2304 (16) f. Unfair methods of competition and unfair or deceptive acts or practices defined

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. — No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

f. Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;

The Property and Casualty Insurance Company of Hartford closed two claims without payment, and the Hartford Underwriters Insurance Company closed one claim without payment, when payments should have been made, and subsequently were, as a result of findings within this examination process.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§318 - 322 and covered the experience period of January 1, 2016 through August 31, 2018. The purpose of the examination was to determine compliance by the Company with applicable Delaware laws and regulations.

The examination was a targeted market conduct examination of the Company's homeowner's insurance business in the following areas of operation: Complaint Handling, Underwriting and Rating, and Claims.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiner's report on the errors found in individual files, the examination also focuses on general business practices of the Hartford Companies.

The Company identified the universe of files for each segment of the review. Based on the universe sizes, random sampling was utilized to select the files reviewed during this examination. By-Company weighted samples were made when relevant.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables company management to review these areas of concern in order to determine the potential impact upon company operations or future compliance.

Throughout the course of the examination, company officials were provided status memoranda, which referenced specific policy and/or claim numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. Written summaries were provided to the Company on the exceptions found. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

The Hartford Underwriters Insurance Company was incorporated by the State of Connecticut on December 22, 1987 pursuant to Connecticut General Statutes, Section 33-236. On July 1, 1988, New York Underwriters Insurance Company, a New York domiciled corporation was merged into the Company and changed its name to Hartford Underwriters Insurance Company. New York Underwriters was incorporated on August 11, 1925 and began business on January 1, 1926. The Company is licensed in all States and the District of Columbia.

According to its 2017 Annual Statement filed with the Department, the Hartford Underwriters Insurance Company reported Private Passenger Automobile No-Fault (Personal Injury Protection) premium in Delaware in the amount of \$1,237,040, Other Private Passenger Automobile Liability premium in Delaware in the amount of \$2,946,837, and Private Passenger Automobile Physical Damage premium in Delaware in the amount of \$1,806,338.

Property and Casualty Insurance Company of Hartford was incorporated on May 4, 1989 under the laws of the State of Indiana and commenced business on January 1, 1994.

According to its 2017 Annual Statement filed with the Department, Property and Casualty Insurance Company of Hartford Homeowners reported multiple-peril written premiums of \$3,701,572.

Trumbull Insurance Company was incorporated on October 10, 1986 under the laws of the State of Connecticut and commenced business on December 30, 1986. Formally Hartford Insurance Company of Connecticut, the name was changed April 1992. Trumbull Insurance Company is the surviving corporation of a merger with Hartford Insurance Company of Alabama, an Alabama corporation incorporated in August 1979. The Company is licensed in all States) except Hawaii) and the District of Columbia.

According to its 2017 Annual Statement filed with the Department, the Trumbull Insurance Company reported Private Passenger Automobile No-Fault (Personal Injury Protection) premium in Delaware in the amount of \$1,930,297, Other Private Passenger Automobile Liability premium in Delaware in the amount of \$6,502,009, and Private Passenger Automobile Physical Damage premium in Delaware in the amount of \$3,367,027.

COMPLAINT HANDLING

The Company was asked to provide a listing of all complaints pertaining to personal lines property. The Company was asked to include complaints received from the Delaware Department of Insurance, as well as complaints made directly to the Company on behalf of Delaware consumers. The Company provided a list of 38 complaints that were filed with the Company during the examination period of January 1, 2016 through August 31, 2018.

All 38 complaints were received and reviewed. The complaint log was also reviewed for compliance with 18 *Del. C.* §2304 (17). Complaint files involving claims were reviewed for compliance with 18 *Del. C.* §2304 (26) and 18 *Del. Admin. C.* 902 §1.2.1.2. The files were also reviewed for compliance with the NAIC Market Regulation Handbook Standards Chapters 16 & 18.

No exceptions were noted.

UNDERWRITING AND RATING

The examination of Underwriting and Rating was conducted and performed in accordance with the laws and regulations of the state of Delaware and the Delaware Department of Insurance. The Company provided a copy of its Personal Lines Property Underwriting and Rating Manuals, along with notices issued to insureds that pertain to credit information, deductibles, and disclosures used for the examination period. These were reviewed and no exceptions were noted.

New Business Policies

The examiners were provided a total universe of 1,975 personal property policies

(homeowners, condominium unit owners, rental property, and tenants) for the Trumbull Insurance Company, the sole company writing new business during the examination period. The sampling of 114 policies reviewed was selected according to the NAIC Market Coordinators Handbook guidelines. Examination of the underwriting and rating files was performed to verify the Company's compliance with NAIC guidelines and Delaware Insurance Department bulletins and regulations.

The rate testing consisted of manual rating to ensure the amount of premium being generated by the Company's computer system is in accordance with the Company's filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the complexity and time-consuming nature of manually rating, the selections for personal property were reduced to 10 randomly selected policies to be tested for rating accuracy.

The Company agreed that should there be any inconsistencies noted, additional policies may be request for testing.

The examiners were able to test and verify the rating of personal property policies in accordance with the Company's file and approved rates.

No exceptions were noted during review.

Renewal Policies

The examiners were provided a total universe of 21,792 personal property policies (homeowners, condominium unit owners, rental property, and tenants) from all companies writing renewal business during the examination period. Of the 21,792 policies, Hartford Underwriters Insurance Company had 4,225 (19.39%), Property & Casualty Insurance Company of Hartford had 11,193 (51.36%) and the Trumbull Insurance Company had 6,374 (29.25%). A weighted sample of 22, 60 and 34, respectively, was requested, totaling 116. The sampling of 116 policies reviewed was selected according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. Examination of the underwriting and rating files was performed to verify the Company's compliance with NAIC guidelines and Delaware Insurance Department bulletins and regulations.

Like with New Business, the rate testing consisted of manual rating to ensure the amount of premium being generated by the Company's computer system is in accordance with the Company's filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the complexity and time-consuming nature of manually rating, the selections for personal property were reduced to 10 randomly selected policies to be tested for rating accuracy.

The Company agreed that should there be any inconsistencies noted, additional policies may be request for testing.

The examiners were able to test and verify the rating of personal property policies in

accordance with the Company's file and approved rates.

No exceptions were noted during review.

Terminated Policies

The examiners were provided a total universe of 298 personal property policies (homeowners, condominium unit owners, rental property, and tenants) that were terminated during the examination period. The sampling of 84 policies reviewed was selected according to the NAIC Market Coordinators Handbook guidelines. Examination of the underwriting and rating files was performed to verify the Company's compliance with NAIC guidelines and Delaware Insurance Department bulletins and regulations.

A sampling of 10 of policies terminated during the examination period was selected for review. The Company agreed that should there be any inconsistencies noted additional policies would be requested for testing.

No exceptions were noted during review.

Declined Quotes

The examiners were provided a total universe of 115 personal property policies (homeowners, condominium unit owners, rental property, and tenants) that had new business applications in Trumbull Insurance Company declined during the examination period. All 115 declinations were selected and reviewed. Examination of the underwriting files was performed to verify the Company's compliance with NAIC guidelines and Delaware Insurance Department bulletins and regulations.

The following exceptions were noted.

30 Exceptions: 18 *Del. C. §4122(a)* Notification and reasons for declination or termination

The Company failed to provide a specific reason for declination (20 exceptions) or a written notice was not provided or could not be found (10 exceptions).

Recommendation: It is recommended that the Company provide additional training to ensure Declination letter compliance with 18 *Del. Admin. C. §4122(a)*.

Inflation Protection

Special emphasis was placed on reviewing the steps involved in determining the Dwelling Coverage amount selected by the customer and the use of any Inflation Protection coverage provisions. The examiners were provided with these steps and our synopsis follows.

When a Home or Fire policy is quoted, the Company calculates an appropriate dwelling replacement cost using the ISO360Value Home Evaluator based on factors confirmed with the customer.

ISO 360Value is a true component-based replacement cost estimating system for residential, commercial and agricultural properties. Utilizing information related to the location, site/lot conditions, structure size, construction type, and features, it produces a detailed estimate of the cost to rebuild a structure. ISO 360Value bases its replacement cost estimates on the methodology and database of Xactimate®, Xactware's industry-leading property claims-estimation system.

Any ISO360Value replacement cost amount can be reconciled with the policy inquiry and declaration page for Home, Fire Dwelling and Condo policies

Inflation Protection (Guard) is automatically applied. This is based on percentage factor that is applied to Coverage A and Replacement Cost each renewal to keep up with the rising cost of labor and materials. The percentage varies by territory. They are applicable to Coverage A for Homeowners (Home and Condo) and Dwelling Fire renewals.

The factors are derived internally based on a quarterly reconstruction cost index that the Company receives from Xactware. The factors are calculated at a 3-digit ZIP code level as an increase in Coverage A. The factors do not monotonically increase. However, whether they are increasing, decreasing, or remaining stable for a given quarter depends on the 3-digit ZIP code.

At policy renewal, the Company places a notice in the consumer's renewal packet; "PLP-163-0 An Important Notice Regarding Your Limit of Liability for Section I Coverages". This notice directs consumers to review their Section One coverage to ensure the cost to rebuild or replace the dwelling reflects the cost to do so. The notice encourages a semi-annual review basis and provides the customer with several options to be able to accomplish this task.

CLAIMS HANDLING

The examination of claims was conducted and performed in accordance with the laws and regulations of the state of Delaware and the Delaware Department of Insurance. The Hartford Company provided the requested documents and access to their claims system that allowed the examiners access to their procedures and reference materials related to the handling of claims used for the examination period. These were reviewed and found appropriate.

All the Hartford Companies claims are handled by the same Claims personnel, using the same processed and procedures. As such, a weighted random sample by Company was not necessary.

The Company provided a list of 1,242 claims and the examiners segmented their review by Paid, Closed Without Payment and Denied Claims, as follows below. All claims in the sample were reviewed for compliance with Delaware statues and regulations and the

NAIC Market Regulation Handbook standards in Chapters 16 & 17.

Paid Claims

For the examination period, there were 383 Paid Claims, resulting in a random sample of 86.

The following exception was noted.

1 Exception: 18 *Del. Admin. C. §902 Prohibited Unfair Claim Settlement Practices*

The Property and Casualty Insurance Company of Hartford failed to provide a coverage decision within 30 days or provide a reason why such decision could not be made in one file. It took the Company 43 calendar days to decide to provide coverage.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C. §902 1.2.1.5*.

Closed Without Payment Claims

For the examination period, there were 564 Closed Without Payment Claims, resulting in a random sample of 105.

The following exceptions were noted:

3 Exceptions: 18 *Del. C. §2304 (16) f. Unfair methods of competition and unfair or deceptive acts or practices defined*

The Property and Casualty Insurance Company of Hartford in two claims, and the Hartford Underwriters Insurance Company in one claim, did not effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear. They closed these claims in error when additional payments should have been made. As a result of the findings noted by the examiners, additional payments ranging from \$266 - \$1,233 were paid to the affected consumers.

Recommendation: It is recommended that the Company provide additional training to ensure compliance with 18 *Del. C. §2304 (16) f*.

Denied Claims

For the examination period, there were 295 Denied Claims, resulting in a random sample of 82.

No exceptions were noted during review

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions and Observations noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company provide additional training to ensure Declination letter compliance with 18 *Del. C.* §4122(a). (Underwriting and Rating)
2. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C.* §902 1.2.1.5. (Claims Handling)
3. It is recommended that the Company provide additional training to ensure compliance with 18 *Del. C.* §2304 (16) f. (Claims Handling)

The examination conducted by Joe Krug, Mark Plesha, and Jim Myers is respectfully submitted.



Mark Plesha, CPCU, AIE, MCM,
CWCP, AIS, IR
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance